

Message Text

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TO AMEMBASSY GUATEMALA IMMEDIATE

INFO AMEMBASSY TEGUCIGALPA

LIMITED OFFICIAL USE STATE 214393

E.O. 11652: N/A

TAGS: ETRN, GT

SUBJECT: CIVAIR - PAN AMERICAN SITUATION

REF: STATE 212146 AND 213211

1. DEPT HAS RECEIVED FOLLOWING TALKING POINTS PAPER PREPARED BY PAN AMERICAN ON SEPTEMBER 26 FOR DISCUSSIONS WITH VICE MINISTER COMMUNICATIONS.

APPRECIATE OPPORTUNITY TO REVIEW THE PROBLEM CAUSED BY IMPOSITION OF RESTRICTIONS ON PAN AM OPERATION TO GUATEMALA.

FRANKLY, PAN AM IS CONFUSED. THEY FEEL THEY HAVE PROVIDED GUATEMALA WITH THE VERY BEST AIR SERVICE POSSIBLE--AND THAT THEY HAVE CONTRIBUTED TO GUATEMALAN TOURISM GROWTH, AND TO ITS NATIONAL ECONOMY--AND PROBABLY MORE IMPORTANT AT THE PRESENT TIME, HAVE NOT HAMPERED OR RETARDED GROWTH OF AVIATECA. SURELY PAN AM CANNOT BE BLAMED FOR PROBLEMS OF AVIATECA.

ON ECONOMIC SIDE, THE TOURISTS BROUGHT INTO GUATEMALA
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BY PAN AM SPENT DOLS 11 MILLION IN 1972, OR 65 PERCENT OF ALL INCOME FROM TOURISM. THE PAN AM OPERATION IN GUATEMALA RESULTED IN OVER DOLS FIVE MILLION IN LOCAL PAYROLL AND EXPENSES.

AVIATECA HAS DONE FAIRLY WELL IN THE MARKET-PLACE--IN SPITE OF LACK OF EQUIPMENT--INTERLINE PARTNERS--COMPLETE PUBLIC ACCEPTANCE. LOOK HOW THEY HAVE FARED IN AREAS WHERE THEY HAVE COMPETED WITH PAN AM--THEY HAVE OBTAINED:

47 PERCENT OF THE NEW ORLEANS MARKET. PAN AM HAS ONLY 37 PERCENT. TACA HAS 16 PERCENT.

35 PERCENT OF THE MIAMI MARKET--AND WITH ONLY FOUR FREQUENCIES A WEEK COMPARED TO PAN AM'S TEN PER WEEK.

70 PERCENT OF SAN PEDRO SULA MARKET--AND EVEN WITHOUT THE RECENT FIFTH FREEDOM RESTRICTION IMPOSED ON PAN AM THIS WOULD IMPROVE AS PAN AM HAS JUST CUT BACK FROM FOUR TO THREE PER WEEK--AND REDUCED CAPACITY BY 46 PERCENT.

PAN AM FEELS THAT AVIATECA MUST BE DEVELOPED ON A SOUND COMMERCIAL BASIS--WITH GOOD INTERLINE PARTNERS, AND NOT ON AN ARMS-LENGTH RESTRICTIVE BASIS. AVIATECA WILL REQUIRE COOPERATIVE INTERLINE PARTNERS, ESPECIALLY IN THE LARGE NORTH AMERICAN MARKET, AND MUST REMAIN UNHAMPERED BY GOVERNMENT RESTRICTIONS, ON EITHER SIDE.

APPARENTLY THE GUATEMALAN GOVERNMENT FEELS THAT IT CAN BEST SERVE AVIATECA BY IMPOSING RESTRICTIONS ON THE US FLAG CARRIER. PAN AM HAS, AT EVERY OPPORTUNITY, OFFERED TO ASSIST IN THE DEVELOPMENT OF AVIATECA, IF THAT IS WHAT WAS WANTED OF THEM. APPARENTLY, THEIR REPEATED OFFERS WERE NOT CONSIDERED, PROBABLY DUE TO THE COMPETITIVE SITUATION. THAT IS UNDERSTANDABLE, BUT PAN AM IS IN FACT IN A POSITION TO GIVE TECHNICAL HELP AND HAS DONE SO WITH SEVERAL OTHER AIRLINES WITH WHICH IT COMPETES.

AS TO THE PRESENT PROBLEM--THAT OF APPLYING RESTRICTIONS ON PAN AM'S ABILITY TO OPERATE ON SPECIFIC DAYS OF LIMITED OFFICIAL USE
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THE WEEK OUT OF NEW ORLEANS--THEY FEEL VERY STRONGLY ABOUT, AND ARE VERY MUCH CONCERNED WITH THIS RESTRICTION. IN PAN AM'S ENTIRE WORLDWIDE OPERATION, NO NATION HAS IMPOSED RESTRICTIONS ON DAYS OF OPERATION. YOU CAN IMAGINE THE CHAOS THAT WOULD RESULT IF EACH COUNTRY IMPOSED RESTRICTIONS OF THIS TYPE ON EACH OTHER'S OPERATION.

PERMIT ME TO REVIEW THE HISTORY OF PAN AM'S NEW ORLEANS OPERATION:

A REVIEW OF RECENT SERVICE BETWEEN NEW ORLEANS-GUATEMALA-NEW ORLEANS INDICATES THAT PAN AM HAS MADE A GUATEMALA-NEW ORLEANS INDICATES THAT PAN AM HAS MADE A MAJOR EFFORT TO AVOID OVERLAPPING AVIATECA BETWEEN NEW

ORLEANS-GUATEMALA-NEW ORLEANS. IN JULY 1972--PAN AM OVERLAPPED AVIATECA ON THREE OUT OF THEIR SIX ONE-WAY FLIGHTS WHILE AT THE SAME TIME TACA OVERLAPPED AVIATECA ON FOUR OUT OF THE SIX FLIGHTS.

WHEN PAN AM ADJUSTED WINTER SCHEDULES BETWEEN NEW ORLEANS AND GUATEMALA, THEY FOUND A WAY TO ELIMINATE ALL OVERLAP WITH AVIATECA. THIS WAS POSSIBLE AS A RESULT OF A NEED TO INCREASE SERVICE FROM SEVEN FLIGHTS A WEEK TO TEN FLIGHTS A WEEK ON THE MIAMI ROUTE. AS A RESULT, THERE WAS NO PAN AM OVERLAP WITH AVIATECA. TACA CONTINUED TO OVERLAP AVIATECA FOUR OUT OF SIX FLIGHTS, AND EVEN INCREASED THEIR OVERALL SERVICE FROM FOUR TO FIVE PER WEEK.

THESE SCHEDULES CONTINUED THROUGH THE SUMMER OF 1973. WHEN THE MIAMI MARKET REQUIRED SEASONAL REDUCTION IN FREQUENCY, FROM TEN TO SEVEN PER WEEK IT WAS NO LONGER POSSIBLE TO RETAIN THE SAME SCHEDULE PATTERN TO NEW ORLEANS. EFFECTIVE SEPT 6 (AS FILED WITH THE GOVT OF GUATEMALA ON AUG 3) THE NEW PATTERN OF NEW ORLEANS-GUATEMALA ONE DAY AND GUATEMALA-NEW ORLEANS THE NEXT DAY RESULTED IN AN OVERLAP OF AVIATECA SCHEDULES ONE DAY PER WEEK IN EACH DIRECTION. AS A RESULT, PAN AM OVERLAPS AVIATECA ON TWO OF THEIR SIX FLIGHTS. TACA CONTINUES TO OVERLAP AVIATECA ON ALL SIX OF AVIATECA'S FLIGHTS, AS THEY HAVE BEEN DOING ALL SUMMER.

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PAN AM OPERATES THE ONLY NONSTOP SERVICE FROM THE NEW ORLEANS GATEWAY TO GUATEMALA. AVIATECA MAKES AN INTERMEDIATE LANDING AT MERIDA, MEXICO AND TACA LANDS AT BELIZE CITY.

IT SHOULD BE NOTED THAT WHEN AVIATECA BEGAN OPERATING FROM NEW ORLEANS TO MERIDA THEY OVERLAPPED PAN AM ON ALL THREE DAYS OF THEIR OPERATION IN BOTH DIRECTIONS RESULTING IN AN OVERLAP OF PAN AM ON ALL SIX DAYS OF AVIATECA'S OPERATION. NO ATTEMPT WAS MADE BY AVIATECA TO AVOID A SCHEDULE OVERLAP NOR DID PAN AM TAKE ISSUE WITH THIS OVERLAP OF SCHEDULES.

WHEN PAN AM DEVELOPED ITS OCT 28 SCHEDULES, THIS REPRESENTED A MAJOR EFFORT TO BE RESPONSIVE TO THE DESIRES OF GUATEMALA--BRIEFLY--ADJUSTED SCHEDULES AS FOLLOWS:

(1) HOUSTON-MEXICO -- REDUCED FREQUENCY AND CAPACITY BY 50 PERCENT. OBVIOUSLY, THIS WILL CUT TOURISM CAPABILITY

IN HALF OUT OF THE HOUSTON AND MEXICO GATEWAYS. I KNOW TOURISM AUTHORITIES ARE INTERESTED IN NONSTOP SERVICE

FROM HOUSTON, HOWEVER, THE VOLUME APPARENTLY DOES NOT EXIST. ONLY 16 PERCENT OF PAN AM'S HOUSTON PASSENGERS TRANSIT MEXICO--THE REST EITHER TERMINATE THERE OR LAYOVER IN MEXICO.

(2) NEW ORLEANS -- THEY HAVE SUBSTITUTED 727 AIRCRAFT FOR 707 AIRCRAFT--AND THIS RESULTS IN 29 PERCENT FEWER SEATS AVAILABLE FROM NEW ORLEANS AT A TIME WHEN CAPACITY SHOULD BE INCREASED TO TAKE UP THE REDUCTION OUT OF HOUSTON. THE CHICAGO-DETROIT TRAFFIC FLOWS INTO CENTRAL AMERICA VIA EITHER HOUSTON OR NEW ORLEANS. THIS WILL HELP AVIATECA BUT IT WON'T HELP TOURISM PROGRAM.

(3) MIAMI -- THEY HAVE CUT BACK FROM TEN TO SEVEN FREQUENCIES A WEEK--AND THIS IS THE ROOT OF THE NEW ORLEANS PROBLEM. WHEN IT DID THIS THE NEW ORLEANS SERVICE HAD TO ORIGINATE IN NEW ORLEANS--NOT GUATEMALA. EVEN SO, IT LIMITED OFFICIAL USE
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REDUCED MIAMI SECTOR CAPACITY BY 30 PERCENT--AGAIN A HELP FOR AVIATECA, BUT A BACKWARD STEP FOR GUATEMALA TOURISM.

TOTAL U.S. TO GUATEMALA CAPACITY--SEATS WILL BE REDUCED 11 PERCENT.

IN OTHER AREAS THEY HAVE REDUCED SERVICE AND CAPACITY AS FOLLOWS:

SAN PEDRO SULA -- REDUCED FREQUENCIES FROM FOUR TO THREE PER WEEK--SUBSTITUTED 727 FOR 707--RESULTING IN 46 PERCENT FEWER SEATS.

SAN SALVADOR -- REDUCED FREQUENCIES FROM 15 TO SEVEN RESULTING IN A 53 PERCENT REDUCTION IN SEATS.

MANAGUA -- FREQUENCIES REDUCED FROM 17 TO SEVEN PER WEEK. SEATS REDUCED 58 PERCENT.

SAN JOSE -- FREQUENCIES REDUCED FROM 14 TO SEVEN PER WEEK. SEATS REDUCED 50 PERCENT.

FROM THE ABOVE, IT IS OBVIOUS THAT FIFTH FREEDOM RESTRICTIONS AGAINST PAN AM SERVICES ARE CLEARLY NOT INDICATED.

AVIATECA HAS A VERY DEFINITE COMPETITIVE ADVANTAGE OVER PAN AM--THEY OFFER LOWER FARES, DO NOT CHARGE FOR LIQUOR, OR EXCESS BAGGAGE--PAN AM DOES NOT COMPLAIN ABOUT

THIS AS IT RELATES TO US POINTS. IT DOESN'T EVEN TRY AND EQUAL OR MATCH THESE LOWER FARES. IT COULD--IF ONLY ON

ROUTES TO THE U.S.--BUT IT DOESN'T. IT DOES NOT MATCH
THEIR FREE DRINK POLICY--THEY COULD. THEY DON'T EVEN SHOW
MOVIES ON COMPETITIVE SECTORS AS MIAMI--THEY COULD.

THEY WILL CONTINUE TO IMPROVE THEIR SCHEDULES TO
GUATEMALA--ASSUMING THAT THIS IS THE DESIRE OF THE GUATE-
MALAN GOVERNMENT. PAN AM WANTS TO COOPERATE IN EVERY WAY
POSSIBLE--TO CONTINUE TO SERVE GUATEMALAN TOURISM INDUSTRY
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AND TO INCREASE ITS CONTRIBUTION TO THE NATIONAL ECONOMY.

PAN AM HOPES THAT YOU WILL AUTHORIZE THE SERVICE
PATTERN THEY HAVE FILED FOR OCTOBER 28. IT HOPES YOU WILL
RECONSIDER AND REMOVE FIFTH FREEDOM RESTRICTIONS.
OBVIOUSLY AVIATECA EXPECTS TO EXERCISE FIFTH FREEDOM RIGHTS
BETWEEN NEW ORLEANS AND MERIDA.

OVER THE LAST 40 YEARS PAN AM HAS DEVELOPED A SCHEDULE
PATTERN THAT HAS ESTABLISHED GUATEMALA AS THE "GATEWAY TO
CENTRAL AMERICA." OVER 60 PERCENT OF ALL OF PAN AM'S
PASSENGERS ARRIVING/DEPARTING GUATEMALA ON PAN AM AIRCRAFT
ARE INTRANSIT TO/FROM CENTRAL AMERICA. ONLY 40 OUT OF
EVERY 100 PASSENGERS GET ON/OFF AT GUATEMALA. THIS CLEARLY
IDENTIFIES A LARGE (60 OUT OF EVERY 100 PASSENGERS) MARKET
AVAILABLE TO GUATEMALAN TOURISM. PAN AM IS CONTINUALLY
WORKING TO INCREASE TOURISM TO GUATEMALA.

SAN PEDRO SULA

PAN AM'S SAN PEDRO PROBLEM IN GUATEMALA FIRST CAME
TO LIGHT WHEN AVIATECA AND SAHSA SIGNED AN INTERLINE AGREE-
MENT WHEREBY SAHSA WOULD HAVE EXCLUSIVE RIGHTS BETWEEN
TEGUCIGALPA AND GUATEMALA AND AVIATECA WOULD HAVE
EXCLUSIVE RIGHTS BETWEEN SAN PEDRO AND GUATEMALA. THIS
AGREEMENT WAS SIGNED SOMETIME LAST JUNE.

THE GUATEMALAN GOVT (MINISTRY OF COMMUNICATIONS AND
PUBLIC WORKS), ASIDE FROM BEING POLITICALLY COMMITTED
TO GRANTING AVIATECA EXCLUSIVITY ON THE GUA-SAP-GUA
ROUTE, CANNOT UNDERSTAND WHY PAN AM HAS TAKEN SUCH A HARD
POSITION REGARDING SERVICE TO SAN PEDRO. THEY FEEL THAT
PAN AM SHOULD GRACEFULLY ACCEPT THE GOVERNMENT'S POSITION
ON SAN PEDRO SERVICE AND NOT RAISE THE PROBLEM TO A POLITI-
CAL LEVEL BETWEEN THE TWO GOVERNMENTS.

PAN AM BELIEVES THAT WHEN THEY IMPOSED A FIFTH FREEDOM
TRAFFIC RESTRICTION ON IT THAT THEY FIGURED THAT IT WOULD
THEN SUSPEND SERVICE. WHEN PAN AM APPLIED THE US GOVT
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INTERPRETATION OF FIFTH FREEDOM, AND INDICATED THAT IT EXPECTED TO CONTINUE TO CARRY STOPOVER THIRD AND FOURTH, THEY APPLIED THE RESTRICTION ON THE BASIS OF THEIR INTERPREATION SO AS TO INCLUDE ALL PASSENGERS ORIGINATING OR TERMINATING IN GUATEMALA TO OR FROM SAN PEDRO. WHEN THIS DID NOT ACCOMPLISH THEIR OBJECTIVE OF FORCING PAN AM TO VOLUNTARILY SUSPEND SERVICE, THEY THEN CAME RIGHT TO THE POINT AND PROHIBITED PAA FROM OPERATING BETWEEN THE TWO POINTS ON TH

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